



THE CONFERENCE BOARD

FOR RELEASE: 10:00 A.M. (MEXICO CITY TIME), FRIDAY, NOVEMBER 13, 2015

The Conference Board®
Mexico Business Cycle IndicatorsSM
**THE CONFERENCE BOARD LEADING ECONOMIC INDEX®
(LEI) FOR MEXICO**
AND RELATED COMPOSITE ECONOMIC INDEXES FOR SEPTEMBER 2015

The Conference Board Leading Economic Index® (LEI) for Mexico declined 0.2 percent and **The Conference Board Coincident Economic Index®** (CEI) increased 0.3 percent in September.

- The Conference Board LEI for Mexico declined further in September, with the real exchange rate (inverted), and oil and stock prices making the largest negative contributions. During the six-month period ending in September 2015, the leading economic index declined 4.2 percent (about a -8.2 percent annual rate), a steeper contraction than the 3.3 percent decline (about a -6.5 percent annual rate) over the previous six months. Moreover, the weaknesses among the leading indicators remained more widespread than the strengths in the last six months.
- The Conference Board CEI for Mexico, a measure of current economic activity, improved slightly in September. The coincident economic index increased 1.8 percent (about a 3.7 percent annual rate) between March and September 2015, up slightly from 1.5 percent (about a 3.0 percent annual rate) over the previous six months. Meanwhile, real GDP expanded by 2.0 percent (annual rate) in the second quarter of this year, up slightly from 1.7 percent (annual rate) in the first quarter.
- The LEI for Mexico fell for the fifth consecutive month in September. As a result, the six-month change in the LEI remains negative and the rate of decline has fallen deeper into negative territory. At the same time, the CEI continues to grow at a relatively steady pace. Taken together, the marginal improvements in the CEI combined with the persistent declines in LEI suggest that Mexico's rate of economic expansion is unlikely to improve in coming months.

LEADING INDICATORS. Two of the six components that make up The Conference Board LEI for Mexico increased in September. The positive contributors to the index are net insufficient inventories* and the industrial production construction component. The (inverted) real exchange rate, the US refiners' acquisition cost of domestic and imported crude oil, and stock prices decreased in September, while the (inverted) federal funds rate remained unchanged.

The next release is scheduled for Monday, December 14, 2015 at 11:00 A.M. (ET)
In Mexico – Monday, December 14, 2015 at 10:00 A.M. (Mexico City time)

With the 0.2 percent decrease in September, The Conference Board LEI for Mexico now stands at 98.3 (2010=100). Based on revised data, this index declined 1.5 percent in August and declined 1.3 percent in July. During the six-month span through September, the index decreased 4.2 percent, with only one of the six components increasing (diffusion index, six-month span equals 25.0 percent).

COINCIDENT INDICATORS. All three components that make up The Conference Board CEI for Mexico increased in September. The positive contributors—from the largest positive contributor to the smallest one—are number of people employed (measured by IMSS beneficiaries), industrial production and retail sales*.

With the increase of 0.3 percent in September, The Conference Board CEI for Mexico now stands at 117.4 (2010=100). Based on revised data, this index increased 0.5 percent in August and increased 0.3 percent in July. During the six-month span through September, the index increased 1.8 percent, with all three components increasing (diffusion index, six-month span equals 100.0 percent).

*See notes under data availability.

DATA AVAILABILITY. The data series used to compute the two composite indexes reported in the tables in this release are those available “as of” 10 A.M. November 12, 2015. Some series are estimated as noted below.

NOTES: The series in The Conference Board LEI for Mexico that is based on The Conference Board’s estimates is net insufficient inventories. The series in The Conference Board CEI for Mexico that is based on The Conference Board’s estimates is retail sales.

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THE CYCLICAL INDICATOR APPROACH. The composite economic indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading and coincident economic indexes are essentially composite averages of several individual leading or coincident indicators. (See page 3 for details.) They are constructed to summarize and reveal common turning point patterns in economic data in a clearer and more convincing manner than any individual component—primarily because they smooth out some of the volatility of individual components.

Historically, the cyclical turning points in The Conference Board LEI for Mexico have occurred before those in aggregate economic activity, while the cyclical turning points in The Conference Board CEI for Mexico have occurred at about the same time as those in aggregate economic activity.

Further explanations of the cyclical indicator approach and the composite index methodology appear in The Conference Board’s *Business Cycle Indicators* report and Web site: <http://www.conference-board.org/data/bci.cfm>.

Mexico Composite Economic Indexes: Components and Standardization Factors

<u>Leading Economic Index</u>	<u>Factor</u>
1. Industrial Production, Construction Component	.1883
2. Stock Prices	.0562
3. U.S. Refiners' Acquisition Cost of Domestic and Imported Crude Oil	.0658
4. Net Insufficient Inventories	.4311
5. Federal Funds Rate	.1033
6. Real Exchange Rate	.1553

<u>Coincident Economic Index</u>	
1. Industrial Production	.3439
2. Retail Sales	.1577
3. Employment	.4984

Notes:

The component factors are inversely related to the standard deviation of the month-to-month changes in each component. They are used to equalize the volatility of the contribution from each component and are “normalized” to sum to 1.

These factors were revised effective with the release in January 2015, and all historical values for the two composite economic indexes were revised at this time to reflect the changes. Under normal circumstances, updates to the leading and coincident indexes only incorporate revisions to data over the past six months. The factors above for The Conference Board LEI for Mexico were calculated using February 1990 to December 2013 as the sample period for measuring volatility. Separate sets of factors for the February 1980 to April 1981 period, May 1981 to January 1983 period, and February 1983 to January 1990 period are available upon request. The factors above for The Conference Board CEI for Mexico were calculated using February 1994 to December 2013 as the sample period. Separate sets of factors for the April 1980 to March 1986 period, and April 1986 to January 1994 period are available upon request. These multiple sample periods are the result of different starting dates for the component data. When one or more components are missing, the other factors are adjusted proportionately to ensure that the total continues to sum to 1. For additional information on the standardization factors and the index methodology visit our <http://www.conference-board.org/data/bci.cfm>.

The trend adjustment factor for The Conference Board LEI for Mexico is 0.0198 (calculated over the 1980 to 2013 period).

To address the problem of lags in available data, those leading and coincident indicators that are not available at the time of publication are estimated using statistical imputation. An autoregressive model is used to estimate each component. The resulting indexes are constructed using real and estimated data, and will be revised as the data unavailable at the time of publication become available. Such revisions are part of the monthly data revisions, now a regular part of the U.S. Business Cycle Indicators program. The main advantage of this procedure is to utilize in the leading economic index the data, such as stock prices, that are available sooner than other data on “real” aspects of the economy, such as new orders and changes in inventory. Empirical research by The Conference Board suggests there are real gains in adopting this procedure to make all the indicator series as up-to-date as possible.

NOTICES

The Conference Board Leading Economic Index[®] (LEI) for Mexico news release schedule for 2015:

Monday, December 14, 2015

For October 2015 data

All releases are at 11:00 A.M. (ET) and 10:00 A.M. (Mexico City time)

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\$ 735 (for TCB members)/\$ 935 (for non-TCB members) per year (1 user)

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The Conference Board Leading Economic Index® (LEI) and
The Conference Board Coincident Economic Index® (CEI) for Mexico

Table 1.- Summary of Mexico Composite Economic Indexes

	2015						
	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.
Leading index	102.6	102.6 r	102.1 r	101.3 r	100.0	98.5	98.3 p
Percent change	1.4	0.0 r	-0.5 r	-0.8	-1.3 r	-1.5	-0.2 p
Diffusion index	58.3	58.3	41.7	41.7	25.0	25.0	41.7
Coincident index	115.3	115.6	115.6	116.0	116.4	117.0 r	117.4 p
Percent change	0.3	0.3	0.0	0.3	0.3	0.5 r	0.3 p
Diffusion index	83.3	100.0	66.7	83.3	100.0	100.0	100.0
	Sep to	Oct to	Nov to	Dec to	Jan to	Feb to	Mar to
	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.
Leading index							
Percent change	-3.3	-2.6 r	-4.0 r	-1.3 r	-1.4	-2.7	-4.2 p
Diffusion index	41.7	41.7	25.0	41.7	58.3	25.0	25.0
Coincident index							
Percent change	1.5	1.6	1.3	1.5	1.5	1.7 r	1.8 p
Diffusion index	100.0	100.0	100.0	66.7	100.0	100.0	100.0

p Preliminary. r Revised (both noted only for index levels and one-month percent changes).

CALCULATION NOTE: The diffusion indexes measure the proportion of the components that are rising. Components that rise more than 0.05 percent are given a value of 1.0, components that change less than 0.05 percent are given a value of 0.5, and components that fall more than 0.05 percent are given a value of 0.0.

For more information, visit our Web site at www.conference-board.org/economics/bci

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**The Conference Board Leading Economic Index® (LEI) and
The Conference Board Coincident Economic Index® (CEI) for Mexico**

Table 2.- Data and Net Contributions for Components of The Conference Board Leading Economic Index® (LEI) for Mexico

Component	2015						
	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.
-----Mexico Leading Economic Index component data-----							
Industrial Production, Construction Component, SA Index, 2003=100	101.1 r	101.5 r	99.0 r	100.3 r	102.1 r	101.6 r	102.1
Stock Prices, IPC35 (BOLSA) October 1978=0.78	43724.78	44582.39	44703.62	45053.70	44752.93	43721.96	42632.54
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel	47.36	50.69	54.06	53.87	46.56 r	39.87	38.82
Net Insufficient Inventories Difference, (3 month moving average), Survey	-2.28	-3.64	-4.68	-6.77	-7.35	-6.76	-6.20 **
Federal Funds, Money Market Rate* Percentage, Monthly Average	3.30	3.30	3.30	3.30	3.30	3.32	3.33
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average	30.96	30.98	31.13	31.53	32.37	33.50	34.06
LEADING INDEX (2010=100).....	102.6	102.6	102.1 r	101.3	100.0 r	98.5	98.3 p
Percent change from preceding month.....	1.4	0.0	-0.5	-0.8	-1.3	-1.5	-0.2 p
-----Mexico Leading Economic Index net contributions-----							
Industrial Production, Construction Component, SA Index, 2003=100 .....	....	0.09	-0.48	0.26	0.33	-0.09	0.09
Stock Prices, IPC35 (BOLSA) October 1978=0.78 .....	....	0.11	0.02	0.04	-0.04	-0.13	-0.14
US Refiners' Acquisition Cost of Domestic and Imported Crude Oil US\$ per Composite Barrel .....	....	0.45	0.42	-0.02	-0.96	-1.02	-0.18
Net Insufficient Inventories Difference, (3 month moving average), Survey .....	....	-0.59	-0.45	-0.90	-0.25	0.25	0.24 **
Federal Funds, Money Market Rate* Percentage, Monthly Average .....	....	0.00	0.00	0.00	0.00	0.00	0.00
Real Exchange Rate, (Central Bank Settlement Rate)* Peso/US\$, Monthly Average .....	....	-0.01	-0.08	-0.20	-0.41	-0.53	-0.26

p Preliminary. r Revised. n.a. Not available.

CPI used to calculate the EX is forecasted

* Inverted series; a negative change in this component makes a positive contribution to the index.

** Statistical Imputation (See page 2 for more details)

Data Sources: INEGI; Bank of Mexico; U.S. Department of Energy; Haver Analytics

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**The Conference Board Leading Economic Index® (LEI) and
The Conference Board Coincident Economic Index® (CEI) for Mexico**

Table 3.- Data and Net Contributions for Components of The Conference Board Coincident Economic Index® (CEI) for Mexico

Component	2015						
	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.
Mexico Coincident Economic Index Component Data							
Industrial Production, SA Index, (2003=100), 3 month moving average	107.2 r	107.3 r	107.1 r	107.1 r	107.2 r	107.6 r	108.0
Retail Sales, SA Index, (2008=100), 3 month moving average	109.7 r	109.9	110.1 r	110.6 r	111.4 r	112.7 r	113.4 **
Employment, IMSS Beneficiaries Thousands, monthly average	17523 r	17588 r	17608 r	17707 r	17776 r	17829 r	17882
COINCIDENT INDEX (2010=100)	115.3	115.6	115.6	116.0	116.4	117.0 r	117.4 p
Percent change from preceding month.....	0.3	0.3	0.0	0.3	0.3	0.5 r	0.3 p
Mexico Coincident Economic Index net contributions							
Industrial Production, SA Index, (2003=100), 3 month moving average	....	0.05 r	-0.07 r	-0.01 r	0.03 r	0.14 r	0.11
Retail Sales, SA Index, (2008=100), 3 month moving average	....	0.03 r	0.02 r	0.07 r	0.12 r	0.18 r	0.10 **
Employment, IMSS Beneficiaries Thousands, monthly average .....	....	0.18	0.06	0.28	0.19	0.15 r	0.15

p Preliminary. r Revised. c Corrected. n.a. Not available.

* Inverted series; a negative change in this component makes a positive contribution to the index.

** Statistical Imputation (See page 2 for more details)

CALCULATION NOTE--The percent change in the index does not always equal the sum of the net contributions of the individual components (because of rounding effects and base value differences).

Data Sources: INEGI; IMSS; Haver Analytics

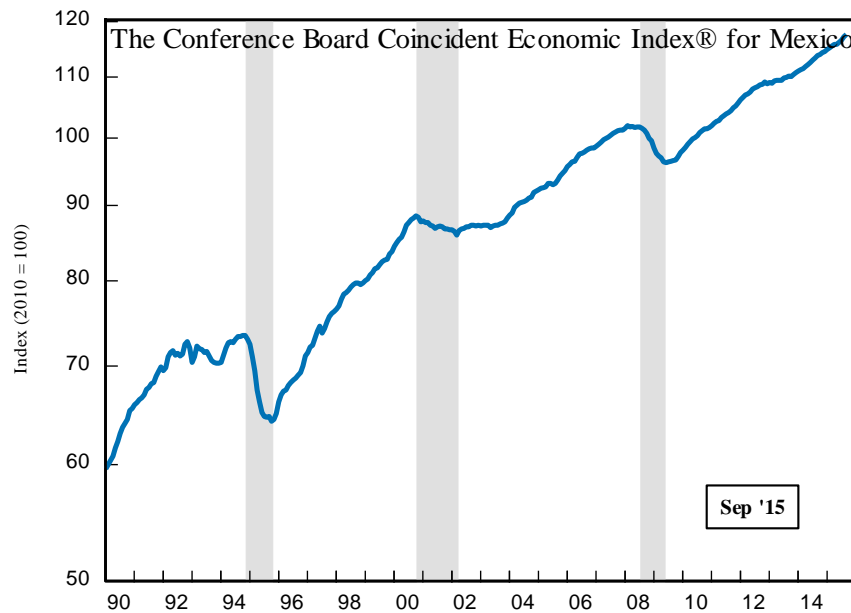
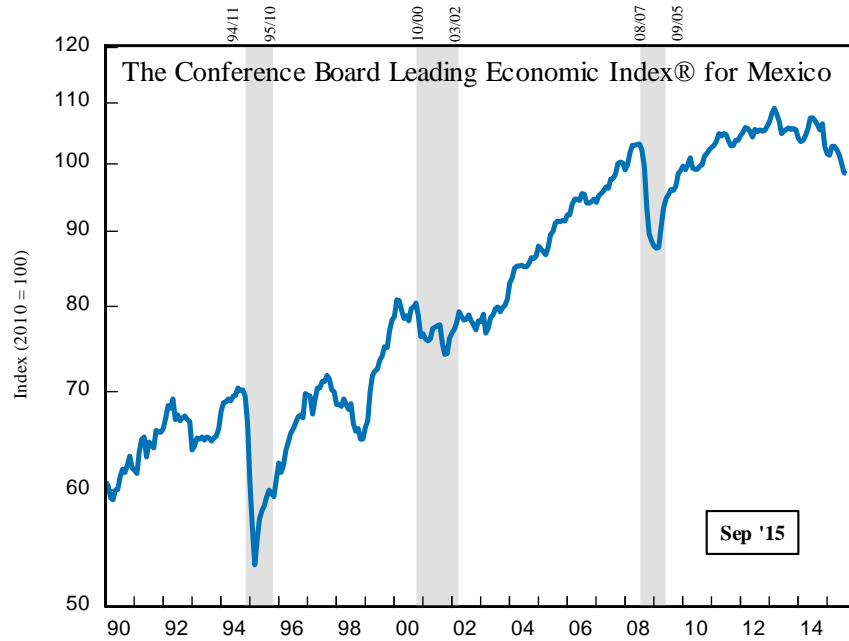
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Mexico Composite Economic Indexes



Note: The shaded areas represent business cycle recessions.

The peaks and troughs are designated by The Conference Board based on the coincident index and real GDP.

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